BRAZIL[1]

MINIMUM WAGE

The Constitution of 1988 guarantees to all workers a minimum wage and requires that the minimum wage be readjusted to preserve purchasing power.[2] The federal government makes adjustments each May 1, usually taking into account the rate of inflation. Because social security payments and many salaries (particularly in state and local governments) are based upon multiples of the minimum wage, the government must also take into account the budgetary implications of a minimum wage increase.[3] The current minimum wage (as of May 1, 1999) is 136 reals (R$) a month, roughly equivalent to 81 U.S. dollars (US$).[4] Many workers, particularly outside the regulated economy and in the Northeast, reportedly earn less than the minimum wage.[5]

The real has depreciated by 50 percent against the U.S. dollar since the end of 1998 and is now floating; as a result, the real's value against the U.S. dollar fluctuates considerably from day to day. The information presented below reflects the exchange rate prevailing on March 10, 1999, R$1.87 for US$1. As the inflationary effect of this devaluation is only now beginning to take effect, workers have not seen their purchasing power seriously eroded.

The Constitution limits the workweek to 44 hours and specifies a weekly rest period of 24 consecutive hours, preferably on Sundays; all workers in the formal sector receive overtime pay for work beyond 44 hours a week, and there are prohibitions against excessive use of overtime.[6]

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[1] Unless noted otherwise, information presented here is from American Consul—Sao Paulo, unclassified facsimile (March 11, 1999).

[2] U.S. Department of State, *Country Reports on Human Rights Practices for 1988* (Washington: U.S. Government Printing Office, February 1989), p. 482.

[3] For more information on the minimum wage in Brazil, see International Labour Organization (ILO), "Minimum Wage Fixing in Brazil," Labour Law and Labour Relations Branch (LEG/REL) *Briefing Note* No. 9 (Geneva: International Labour Office, 1997), which is also available on the ILO's web site: <http://www.ilo.org/public/english/80relpro/legrel/papers/brfnotes/minwages/brasil3.htm>.

[4] Wall Street Journal, *Briefly*, (May 3, 1999) p. A14.

[5] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 534.

[6] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 534.

PREVAILING OR AVERAGE WAGE

The vast majority of workers in the apparel and footwear industries work in factories. Nearly all of them receive salaries considerably higher than the minimum wage, although salaries vary considerably by region in Brazil. Average salaries range from R$300 to R$500 (approximately US$160 to US$270) a month in the apparel industry, and slightly higher in the footwear industry. In addition to this basic salary, each worker receives a bonus of one month's pay at the end of each calendar year. Workers also received other constitutionally-mandated payments which can raise the base salary roughly by 20 percent.

Many enterprises source some parts of production in the apparel and footwear industry. Some of the "microenterprises" which typically perform these services have been organized as cooperatives and may fall outside the parameters of labor law. However, out-sourcing represents a very small portion of the entire industry.

The table below presents available data from the International Labor Organization (ILO) on average monthly earnings (direct wages per worker) in Brazil for all employees in the manufacturing sector and in the apparel and leather footwear industry. They include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.[7] Average hours worked per week were not available from the ILO for the manufacturing sector or the apparel and footwear industry. Current average earnings, which are reported by the ILO in the national currency, were converted to US$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1993 = 100.

Average Monthly Earnings in All Manufacturing, and Apparel and Footwear

Year	All Manufacturing		Apparel & Footwear		Real Earnings Index (R$; 1993=100)	
	(R$)	(US$)	(R$)	(US$)	Manuf.	Apparel & Footwear
1990	26,076	1,050	na	na	99,038	na
1991	136,699	925	na	na	20,767	na
1992	1,562,000	952	776,000	473	1,892	1,974
1993	33,978,000	1,057	16,176,000	503	100	100
1994	793,056,000	1,241	373,067,300	584	5	5
1995	na	na	na	na	na	na
1996	na	na	na	na	na	na
1997	na	na	na	na	na	na

Note: na = not available.
Source: ILO, *Yearbook of Labour Statistics, 1998*, p. 819.

[7] International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

NON-WAGE BENEFITS

Non-wage benefits in the footwear and apparel industries are comparable to those in other Brazilian industries. Most non-wage benefits are mandated by the Brazilian Constitution, and the costs to employers can run from 60 to 100 percent of the monthly salary. These include: social security, one month's paid vacation, unemployment insurance, meals during working hours, and transportation. Most employers also provide health care or insurance.

A U.S. Social Security Administration survey[8] elaborates on four non-wage benefit programs in which employers in Brazil are required to participate for their employees: (1) a social insurance program, started in 1923, which covers sickness, disability, maternity, and death benefits, for which the insured person pays 8-10 percent of their earnings according to their wage level, the employer pays 20 percent of payroll, and the government pays certain ear-marked taxes to finance administrative costs and defray deficits; (2) work injury benefits, started in 1919, for which the employer pays the entire cost through premiums of 1-3 percent of payroll according to risk; (3) unemployment insurance, which began in 1965, for which the government paying the whole cost; and (4) family allowances, which is an employment -related system that began in 1941 and is funded the same as for pensions above.

ASSESSING BASIC NEEDS: THE POVERTY LINE

Because of wide regional variations in salaries and in the cost of living, the government has no official poverty line. A recent study by the well-respected Getulio Vargas Foundation determined that the poverty level is R$45 (approximately US$25) per person per month. Most workers in the apparel industry would be above this level. However, a 1997 study by the Interunion Department for Socioeconomic Studies and Statistics estimated that the minimum wage was only slightly more than one-fourth of the amount necessary to support a family of four.[9] The Interunion study weighted urban data more heavily than did the Vargas Foundation, accounting for some of the disparity in the conclusions.

A compendium of poverty and income distribution statistics prepared by the International Labor Organization[10] reports several sets of measures of a national poverty line for Brazil:

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[8] Social Security Administration, *Social Security Programs Throughout the World-1997* (Washington: U.S. Government Printing Office, August 1997), pp. 49-51.

[9] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 534.

[10] Hamid Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data* (Geneva: International Labour Office, 1996), pp. 53-55.

! for 1981, 46.8 percent of the rural and 14.9 percent of the urban Brazilian population were below the poverty line of a per capita income of one-quarter of the inflation-adjusted 1980 minimum wage, with a national poverty rate of 24.8 percent; for 1987, 46.3 percent of the rural and 14.8 percent of the urban population were below the same poverty line, with a national poverty rate of 23.3 percent.[11]

! for 1979, 68.2 percent of the rural Brazilian population was below the rural poverty line of a monthly per capita budget of 13,790 nuevo cruzados[12] in second half of the year 1988 prices and 33.5 percent of the urban Brazilian population was below the urban poverty line of a monthly per capita budget of 20,970 nuevo cruzados in second half of the year 1988 prices, with a national poverty rate of 45.1 percent; for 1990, 63 percent of the rural population was below the rural poverty line and 43 percent of the urban population was below the urban poverty line, with a national poverty rate of 48 percent.[13]

! for 1979, 55.0 percent of the rural and 23.9 percent of the urban Brazilian population were below the poverty line of a monthly per capita income of US$60 in 1985 purchasing power parity adjusted US$, with a national poverty rate of 34.1 percent; for 1989, 63.1 percent of the rural and

[11] The estimates are referenced as originating from M. Louise Fox and Samuel A. Morley, "Poverty and Adjustment in Brazil: Past, Present, Future," in Michael Lipton and Jacques van der Gaag (eds.), *Including the Poor,* Proceedings of a Symposium Organized by the World Bank and the International Food Policy Research Institute (Washington: World Bank, 1993), p. 470. The study uses published tabulations (series *Mães e Crianças*) of the distribution of per capita income from household surveys (*Pesquisa Nacional por Amostra de Domicilios*, PNAD) conducted by the Instituto Brasileiro de Geografia e Estatística (IBGE); income is reported in minimum salaries (after 1986, the *piso nacional*). To correct for changes in the real minimum wage, the poverty line is obtained by converting minimum salaries for the reference month for each year into constant cruzados, and then converting this value into constant 1980 minimumsalaries. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data,* p. 160.

[12] The following currency changes have occurred since this estimate was made: in 1990, 1 cruzeiro = 1 nuevo cruzado; in 1993, 1 cruzeiro real = 1,000 cruzeiros; and in 1994, 1 real = 2,750 cruzeiros reales.

[13] The estimates are referenced as originating from special tabulations prepared for the ILO in 1995 by the Economic Commission for Latin America and the Caribbean (ECLAC), which updated previous estimates in ECLAC, *Magnitud de la Pobreza en América Latina en los Años Ochenta* (Santiago: ECLAC, 1990), pp. 24; 115. The tabulations are based on household surveys and use a methodology that sets poverty lines based on the minimum per capita food-energy needs for age- and sex-specific minima as recommended by the FAO/WHO. The composition of the food basket takes into account the prevailing national dietary habits. The cost of the minimum food basket is evaluated using retail prices for the lowest quality varieties in the capital city or its metropolitan area (prices prevailing in other cities and in rural areas were generally unavailable). Minimum food budgets for other urban areas are set at 5 percent below the capital's, and for rural areas at 25 percent below the capital's. Averages for urban areas and at the nation level are calculated using population weights. To reflect minimum expenditures on non-food needs, the urban poverty line is set at double the corresponding minimum food budget, and the rural poverty line at 75 percent above the cost of the rural minimumfood basket. The poverty lines in national currencies were not provided in the ILO compendium. The ECLAC methodology is discussed more fully in J.C. Feres and A. León, "The Magnitude of Poverty in Latin America," *CEPAL Review*, No. 41 (August 1990), pp. 133-151. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data,* p. 137.

33.2 percent of the urban population were below the same poverty line, with a national poverty rate of 40.9 percent.[14]

According to the World Bank[15], in 1990, 17.4 percent of Brazil's national population was below the national poverty line, with 13.1 percent of the urban and 32.6 percent of the rural population falling below the poverty line. In 1995, 43.5 percent of the population was below the international poverty standard of US$2 per person per day and 23.6 percent was below the international standard of US$1 per person per day, both in 1985 purchasing power parity adjusted US$. Within Brazil, there are wide disparities in the extent of poverty; more than half of all poor Brazilians live in the Northeast.[16]

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Brazil meet workers' basic needs. Some information from U.S. Department of State or U.S. Embassy reports indicates more generally that the minimum wage is not sufficient to provide a decent standard of living for a worker and family in Brazil,[17] but the U.S. Embassy is not aware of studies of a living wage in Brazil.

The Interunion Department of Socioeconomic Studies and Statistics (DIEESE), created by a group of trade unions in 1955, provides studies and statistics on living conditions in Brazil and a monthly calculation of the "minimum wage necessary."[18]

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[14] The estimates are referenced as originating from George Psacharopoulos, Samuel Morely, Ariel Fiszbein, Haeduck Lee, and Bill Wood, *Poverty and Income Distribution in Latin America: The Story of the 1980s*, Latin America and the Caribbean Technical Department, Regional Studies Program, Report No. 27 (Washington: World Bank, 1993), Tables 13.1–13.2 and pp. 62-69. The study is based on national-level household surveys compiled by the Economic Commission for Latin America and the Caribbean (ECLAC) and the World Bank. The poverty lines, in 1985 purchasing power parity adjusted US$, were converted into national currencies, but were not provided in the ILO compendium. See Tabatabai, *Statistics on Poverty and Income Distribution: An ILO Compendium of Data*, p. 138.

[15] World Bank, *World Development Report 1998-99* (New York: Oxford University Press), p. 196.

[16] World Bank, *Brazil: A Poverty Assessment* (Washington: World Bank, 1995), p. 1.

[17] U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 534.

[18] See DIEESE web site: <http://www.dieese.org.br/bol/boletim.html>.